HUMAN EVENTS

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Little Rock: "How did this happen?" is the question posed, discussed, argued and emotionally reiterated on the streets of Washington today — four days after the Federal Government took over in Little Rock.

Even if citizens in the District of Columbia could vote (which they can't), most of the gabble would amount to little, because answers to this question are mostly foolish, and all emotional. But, the same question is being asked and quite dispassionately examined by leaders of the two parties and many other experienced men in the Capital. This cold-blooded scrutiny of the history of the two days in which the die was cast is far from academic. It is aimed at, and might well end in, televised hearings next January when Congress reassembles.

What well-placed people want to know specifically: *Why did the President refuse to wait another day or two but instead proceed Tuesday to call in the Federal troops and nationalize the Arkansas militia?* Only a fraction of the crowd which caused the riot Monday appeared Tuesday morning. If the "patience" the President had previously urged were the touchstone, was not the obvious course to allow the Little Rock people time to hear and reflect on the solemn proclamation he had issued the night before? They were given no such time. Why not? Why were not the law forces of the city allowed another chance to integrate the school?

The answer is a sticker: "Because the National Association for the Advancement of Colored People in Little Rock had announced that the nine Negroes would not go back to school until they were under the protection of the Federal troops."

Right here these private discussions begin to be very pointed. The questions are raised: "Did the 'outside agitators' of the NAACP play a determining role in the Little Rock imbroglio?" And, "Should a private organization like the NAACP be allowed to call the tune which could end in national calamity?"

● These questions have all the more point in that, across the Potomac from Washington, a State of Virginia Committee has been engaged in probing NAACP activities, in connection with some new Virginia laws. Among other things, these laws require "registration of groups engaging in activities in behalf of one race, which activities might create racial conflicts," and prohibit "barratry" — which is defined as "persistent incitement of litigation."

In this connection, Virginia attorneys brought out, at a Richmond hearing last week, the testimony of six Negroes to the effect that, without their knowledge, they had been made parties to school integration suits involving the NAACP.

If the NAACP were an organization narrowly limited to the object of its name, "advancement of colored people," even such activities, however divisive, might not be harshly regarded by the public. But, as it now appears, the NAACP, under careful scrutiny, emerges as a political organization — and one with distinctly leftist background and aims.

This picture became rather clear in the past week in California when the NAACP unfurled its true colors.

On September 19, Franklin H. Williams, regional secretary of the NAACP, told the California AFL convention that "the NAACP stands 100 per cent with you in opposing any man who advocates so-called right-to-work laws."

Senator Knowland has come out for a right-to-work law. His presumed opponent for the governorship in this key state, Governor Knight, is against such a law. The presumed Democratic candidate, Attorney General "Pat" Brown, is also opposed to it.

In short, the NAACP has now entered the arena of partisan politics on behalf of compulsory unionism, and on behalf of the labor bosses, now on the national griddle for abusing their positions. The NAACP spokesman emphasizes the "damage we would suffer as a racial group if organized labor were to be hampered by so-called right-to-work laws."

● Now observers in Washington are taking a new look at the NAACP. State and Federal investigators, it is pointed out, have unearthed a mass of detailed evidence linking its officials with subversive groups. Early this year, for example, a New Orleans police expert on communism told investigators that he had evidence sufficient "to convince the most skeptical" that the Communists had penetrated the NAACP.

The most extensive documentation of the NAACP's subversive connections has been that presented by Congressman E. C. Gathings of Arkansas, February 23, 1956. Gathings introduced into the *Congressional Record* information taken from the files of the House Committee on Un-American Activities, concerning the founders and present leaders of the NAACP.

The listings (membership in or sponsorship of organizations cited as Communist fronts, signing petitions, speaking at rallies, etc.) for the NAACP leaders take up 41 closely printed pages in the *Record* (pp. 2805 to 2846).

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Congressman Gathings concluded his presentation by remarking that — discounting duplicate listings for leaders who hold more than one NAACP office — "the total list would be 177, of which 78 are cited by the House Committee on Un-American Activities — or 44.1 per cent."

It is noted that the NAACP's answer to this kind of indictment has been a defensive plea that it has not, itself, been cited by Federal authorities as subversive — which does not answer the question of the numerous individual citations.

Thus pressures build for an investigation of the whole matter. Southern Democratic Congressmen such as Gathings and John Bell Williams of Mississippi have called previously for an investigation of the NAACP. Now, commenting on the NAACP announcement concerning Knowland and the right to work, a Republican voice from the Midwest makes the same demand.

Congressman Wint Smith (R.-Kan.) told HUMAN EVENTS this week that, "in the next session of Congress we ought to have an investigation of the NAACP, focusing on its activities apart from racial matters."

Did the agitated events leading to the "invasion of Little Rock," ask the political analysts, fall merely as dictated by the laws of chance? Or was there a guiding hand to insure the final tragic result? The drama in Arkansas, it is pointed out, knits with the scheme and pattern of other "liberal" campaigns. Thus many in the Capital wonder if the conflagration may not have been sparked as part of a larger program to centralize political power in America — meaning not only temporary Federal bayonet rule in Little Rock, but an effective end to local control over the schools. Is Arkansas, they wonder, the "guinea pig" in a totalitarian experiment?

Footnotes: UP dispatch, dateline Little Rock, 12:22 p.m., September 25: *"Troops ordered C. E. Blake, about 45, who was standing in a yard at 14th and Schiller streets, a block from the school, to move on. Blake snapped that he was on private property. A soldier smashed Blake in the forehead with a rifle butt. Blake, blood streaming down on his shirt, and about 25 other persons were then moved on by a detail of troops with fixed bayonets."*

● It is reported by informed sources that, shortly before President Eisenhower's about-face on the use of force last Monday, ex-New York Governor Thomas Dewey had a long phone talk with his Palace Guard protégé, Attorney General Herbert Brownell. If Dewey's considerable influence was decisive in swinging Administration policy to the use of troops, say Washingtonians, it will be the second time within a month that his intervention has dealt a serious wound to the GOP. Several weeks ago (as reported in HUMAN EVENTS for August 31, 1957), Dewey masterminded the losing campaign of Wisconsin GOP candidate Walter Kohler.

● *Heard in the Army-Navy Club: "Now the 101st can put a new battle insignia on its division flag in addition to 'The Battle of the Bulge' — 'Little Rock.'"*

● Washingtonians commend — in contrast to Federal troops policing the streets of Little Rock — the stand taken last week by FBI Director J. Edgar Hoover. Scotching reports that FBI agents would be sent to Little Rock to act as "local police," Hoover said:

"The assignment of the FBI to local police duties under the circumstances would be repugnant to our concept of a Federal-state relationship and I would not be a party to injecting the FBI into an assignment that would so closely resemble a national police."

It is recalled that, during the regime of President Roosevelt, Hoover rebuffed similar attempts to turn the FBI into a Federal police force (see HUMAN EVENTS for December 1, 1956).

Profit Pinch: The past week's stock market declines spring basically from the largely unrecognized fact that profits of American business since the end of the war have been too low, not too high (as the "liberals" allege). So runs the thinking among economic experts in Washington who note that press reports from Wall Street stress the "profit pinch" as the primary reason for this week's big sell-off in the stock market.

This line of thought derives much statistical nourishment from an outstanding study of business profits — from 1947 to 1957 — just issued by George Terborgh, Director of the Machinery and Allied Products Institute. This well-known statistical group (known as MAPI) delivers the verdict that profits have been overstated by an average $4 billion a year over the past decade.

Profits on the record have — according to the commonly accepted figure — averaged about $19 billion a year. But this neglects to allow for the fact that depreciation has been insufficient to replace physical assets at today's costs. This situation is no mere transitory post-war phenomenon, for the average annual overstatement continues. MAPI points out that the overstatement for 1956 is about the same as the ten-year average.

Naturally, to overstatement of physical plant should be added the overstatement of inventories. With rising prices, more money is needed to maintain inventories, and it must come out of profits.

Both these factors — the physical plant and inventories problems — have resulted in smaller savings over the past decade. MAPI shows how savings which were reported as about $96 billion for this period have actually (according to the MAPI correction) come to only $53 billion. This negative trend has affected the amount of capital available for expansion and maintenance; and this in turn has contributed to the rising rate of interest (about which the radicals complain so much).

The Wall Street Journal (like other financial journals) has taken notice of these findings. "One result of this situation," says the *Journal*, "has been that income taxes have been paid in part on purely fictitious profits. The Nation, tax-wise, has been living in part by using up its capital."

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Handley: A rising star in the conservative political firmament is Indiana's Republican Governor, Harold W. Handley. Handley, an ally of Senator William E. Jenner, attracted considerable favorable comment when he first assumed office by his vigorous support of the principles of limited government (see HUMAN EVENTS for January 26, 1957). He further impressed the Nation's conservatives by his performance at this year's Williamsburg Governors' Conference, introducing a sharply worded "states' rights" resolution, which lashed out at schemes to "curtail self-government and local control of schools and libraries by Federal grants, to subsidize college educations for all. . . ."

Again, appearing on Dean Clarence Manion's network radio program early this month, the Hoosier Governor declared that "the Federal Government is strangling the states and making them impotent." The remedy, he concluded, is to "cut the grants-in-aid fat out of the national Budget . . . We must spurn the fool's gold of Federal handouts." He voiced similar states' rights sentiments, September 22, before the Indiana Republican Editorial Association.

It Can Be Done: Conservatives scanning press reports of the recent parley of the Michigan GOP warn against face-value acceptance of "modern Republican" noises made there. For a strong undercurrent in Michigan politics in recent months has been the work of traditional Republicans, who have demonstrated that organization and hard work can (1) wrest party control from the "liberals," and (2) thus strengthen the GOP's hand against its Democratic opposition.

HUMAN EVENTS learned recently of the long and fruitful endeavors of conservative Republicans in the 14th Congressional District of Michigan (Wayne County), home territory of the CIO wing of the Democratic party. For a number of years, the GOP in this district had been led by "liberal" Republicans, and their inroads against the Democrats there were slight.

In November, 1952, a group of young Republicans nominated conservative Richard Durant as their candidate for Congress, to run against Democratic incumbent Louis Rabaut. By offering a real conservative alternative to the ADA-voting Rabaut — in his own territory — Durant shaved the Democratic margin to a mere 4,000 votes out of 200,000 cast. ("Liberal" candidates running against Rabaut went down by margins of 30 and 40 thousand votes.)

Subsequently, in choosing slates of delegates who would vote for state school board members and other state officers, the conservatives waged a campaign which saw them unseat the "liberal" machine. This victory was achieved by a campaign exhorting all Republicans to strengthen their party. Campaign broadsides were aimed at "liberal" delegates as well as "conservative" ones. The result: through a high incidence of conversions, the conservative slate was seated.

Subsequently, in the Michigan state elections this year, these same Republicans utilized campaign material strongly critizing the tactics of UAW-CIO boss Walter Reuther — considered the "uncrowned king" of Wayne County. This unequivocally conservative stand, in the heart of Reuther's own territory, boosted the conservative vote appreciably.

Eight test precincts, considered very weak from the GOP standpoint, were selected from the 14th District. In these precincts the Republicans distributed, from door to door, two pamphlets: "In Freedom's Cause," the story of the Kohler strike, in Kohler, Wisconsin; and "A Bill of Rights for the Working Man," reprinted from the *Reader's Digest* — both highly critical of labor bossism. When the returns were tallied, it was found that the percentage increase in the Republican vote in these eight precincts was twice that of the district as a whole.

Thus, with the conservative stance of these Michigan Republicans, the party's prospects are improving. As a source close to these developments told HUMAN EVENTS: "The Republican party in Michigan has been badly disorganized. There's been a lot of indifference and campaigns and issues have been bungled. There has been a widespread 'I don't care' feeling, springing from the fact that people believe there's no difference between the two parties. If there's no difference, why bother to work, or contribute, or vote?"

Foreign Front: Overseas dispatches of the last ten days are viewed in the Capital as ending all serious argument over the political wisdom of Government economic intervention.

In Germany, free enterprise has paid dividends — economically for the German people, and politically for the regime of Chancellor Konrad Adenauer (see "The Triumph of Free Enterprise," by William H. Peterson, in the Article Section of this issue). The lesson of Germany's experience, it is said, should be obvious to all American politicians who are tempted to follow the deceptive collectivist route to office.

Economic observers contrast Germany's sleek prosperity with the sorry spectacle of India, struggling in the toils of socialism. India's Five Year Plans, patterned after those of Moscow and Peiping, have proved an unqualified failure — economically for the Indian people, and politically for socialist premier Nehru. All dispatches from New Delhi and other Eastern listening posts confirm that India, as a result of Nehru's socialist schemes, is sinking swiftly into economic disaster.

India's economic situation now stands at a new low: Runaway inflation is enveloping the Indian economy. Wholesale prices are skyrocketing. At the present rate, prices will double every three years. Indian foreign exchange reserves have hit rock bottom. All authorities agree that the country is on the high road toward bankruptcy — unless something is done soon.

As is always the case, however, doctrinaire socialists can find no way to remedy their troubles except by applying more socialism. Attempting to keep the situation under control, Marxist Nehru has tightened all the economic screws. All but the most essential imports are barred — in an attempt to maintain exchange

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reserves. Seeking revenue, the Government has jacked up taxes, and pushed the minimum level of taxable income down to $625.

All of this activity is having an observable effect on Nehru's popularity. As heir to Gandhi's massive following, Nehru to date has never been seriously challenged as the leader of the Indian public. Now, many observers believe, he is in deep trouble.

Socialism, they conclude, supposedly a great vote-catcher, is a dismal failure — especially when contrasted with the popularity of the free enterprise policies of Germany's Christian Democrats.

● Economic analysts — including those most friendly to Nehru and socialism — agree that the Indian Five Year Plan cannot be sustained without large injections of outside capital. Nehru is now angling for a U.S. "loan" of $500 million to bail him temporarily out of his difficulties. Conservatives point out, however, that such a loan will only put off India's day of reckoning, and make the final catastrophe that much greater.

Thus the recent controversy between officials of the U.S. International Cooperation Administration (the "foreign aid" agency) and "giveaway"-minded elements of the State Department is viewed as especially significant. ICA spokesmen declared that a new U.S. policy toward foreign aid would now be adopted — explicitly favoring the advancement of private enterprise abroad. (Along the lines of the slogan, "Private Enterprise — America's Best Export.") State Department sources then "leaked" stories to the press "repudiating" this view — indicating that continued support of such socialist pensioners as Nehru may be expected. Seasoned legislators on the Hill fear that the State Department view will prevail — proving that the striped-pants set has learned exactly nothing from the examples of Germany and India.

Between Covers: A pamphlet entitled *Select Bibliography of Revisionist Books: Dealing with the Two World Wars and Their Aftermath* (Oxnard Press-Courier, Oxnard, California; 30 pp; 50 cents) lists all the more important books which have "revised" the official propaganda versions of what happened in the two big conflicts, as well as those describing the forces which brought us into them and those which laid the foundation of "the peace that is no peace." Appropriate comments describe the subject matter of each work and provide students and research workers with an invaluable guide to "revisionist" literature.

A brief introduction stresses the fact that "most scholars have either retained their wartime prejudices or fear to reveal their conversion to a factual outlook in published writings. The magazines and important commercial publishers have likewise been governed either by their prejudices or by a robust sense of discretion and have refused to publish the revisionist material on the period since 1939 that has been offered them." The pamphlet serves a useful purpose in bringing together information about those works which have pierced "this historic blackout."

MORE CLERGYMEN ENDORSE HUMAN EVENTS

ANTHONY J. RUBLE, Pastor, Good Shepherd Chapel, Lancaster, Ohio: "I think I appreciate 'HUMAN EVENTS' most because I am a Christian minister, and Christianity is by nature opposed to the inroads being made in our government by liberal and left-wing philosophies. This subject finds itself into many of my sermons, and I always feel I have almost an infallible source of information in your paper. I also find it valuable in my radio work, and recommend it highly. I always appreciate very much the sympathetic treatment given the memory of my valued personal friend Bob Taft. Keep up the fine work."

ARTHUR J. SCOTT, Minister, The Methodist Church, Heyworth, Illinois: "I commend you of HUMAN EVENTS for bringing to us, the people of this nation, a reporting of supreme importance. We the people of this nation need to be awakened to what is happening all around us, and you at HUMAN EVENTS are doing this. HUMAN EVENTS is a voice crying in the wilderness to make straight in the desert a highway for our God."

DON R. YOCOM, Pastor, W. Liberty Methodist Church, W. Liberty, Ohio: "HUMAN EVENTS is loyal to our democratic way of life in America and is a corrective for the leftist point of view. As a minister of the gospel it is heartening to know there are still some on the contemporary scene who do not give in to the modern 'goal' of worshipping a welfare state."

C. L. FINLEY, Pastor, First Evangelical United Brethren Church, Mount Vernon, Illinois: "I find HUMAN EVENTS one of the most valuable magazines that I read. It gives me a source of information that I can rely on to help me endeavor to influence public opinion among my congregation in the right direction."

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CHARLES P. BARKMAN, Presbyterian Community Church, Gustine, California: "HUMAN EVENTS helps me to be one or more steps ahead of anyone else in the community with data they — all of them together — do not have. Thank you for feeding it to us."

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Article Section *Printed in Two Sections*

THE TRIUMPH OF FREE ENTERPRISE

West Germany – and Erhard – Come Through

By WILLIAM H. PETERSON

COLOGNE

"A VOTE FOR Adenauer means higher prices, inflation, the final division of Germany, atomic bombs and atomic death. A vote for the Socialists means stable prices, stable currency, reunification of Germany in freedom, and atoms only for peaceful purposes."

So read a slightly tattered, rather forlorn-looking Socialist election poster on a Cologne billboard after the smashing victory of the Adenauer Government, Sunday, September 15. For the third time the people of West Germany have given the green light to the leaders of the Christian Democrat Party for four years of rule – quite a record for the generally unstable politics of Europe this side of the Iron Curtain.

Why did the free Germans reject the Socialists? And what does the re-election of the Adenauer government portend for the future?

Certainly a big factor in the defeat of the Socialists – whose leader, Erich Ollenhauer, hammered on the familiar American theme, "It's time for a change" – was prosperity. Prosperity is abundantly evident as soon as the visitor steps off his plane and is whisked by an airport limousine through a thriving countryside and the bustling industrial suburbs.

To one whose only memory of Germany was the unbelievably bomb-devastated ruins of 1945, the contrast is sharp and vivid. Then the people were haggard, dazed and half-starved; today they're robust and active, crowding the cinemas and the shops. Then the autobahns were thoroughfares for military transport and sluices for the returning war-weary DP's and prisoners-of-war; today the autobahns are thick with commercial trucks, sight-seeing "blue buses" and pleasure automobiles – especially the ubiquitous Volkswagen.

A larger question thus arises as to why the Socialists were beaten: Why the prosperity?

And certainly the big factor behind the West German prosperity is the jovial Bonn Minister of Economics, Professor Dr. Ludwig Erhard, a man with an apostle's faith in *soziale Marktwirtschaft* (meaning free enterprise, but it's interesting to note that Dr. Erhard almost always precedes a mention of free enterprise with "social," making clear that, to him anyway, private enterprise and the public welfare are inseparable).

ERHARD IS NOT, by any means, a reticent figure in German politics. In the past campaign he poured out more than sixty speeches, and it was a courageous Socialist heckler who dared to challenge him from the back row. Hecklers are easily cut down by his biting wit – and a barrel-full of unbeatable statistics on the German economic comeback. The facts are all on Erhard's side. And when the Economics Minister holds an old rationing card above his head and then tears it into little pieces, no one in the audience can resist cheering his conquest of the belt-tightening "planned economy" that existed prior to 1948.

Consider the odds faced by Erhard, Adenauer & Co. back in 1948: On top of the rack and ruin of Nazi totalitarianism, Schacht's financial maneuverings, the death and destruction, the dismantling of plants, the cutting up of Germany as a massive pie, and the Sovietization of Eastern Germany, there was the "directionist" mentality of the Allied Control Authorities. All German foreign trade, for example, had to be funneled through the JEIA, a joint British-American control agency. Bureaucratic controls were clamped on German industry. A Keynesian "full employment"

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rationale dictated the decrees issued by the staff surrounding General Lucius Clay.*

Worse, from 1945 to 1948 the Allied Control Authorities continued the inflationary policy, indirectly started by our Assistant Secretary of the Treasury, Harry Dexter White (who has since been designated a Soviet spy by Attorney General Brownell and who "loaned" the Russians the Allied mark currency printing plates in 1945). The inflation, which stymied German industrial recovery, was of course in no way obviated by the Allied institution of price controls and rationing. It was confusion confounded. And it was only the black market that made life bearable and perhaps even possible.

THE JOB FACING Dr. Erhard was staggering. But let him tell the story: "When I was called to take the position of Economics Minister in the summer of '48, a whole new program of economic reconstruction had to be worked out. We chose mainly two factors on which to rely in order to find success. The first was currency reform, carried out on June 20, 1948. Its regulations were exceedingly brutal on the population, but necessary to accomplish the consolidation from which to proceed. This could only be done by devaluating [deflating] the money to five per cent of its face value and by cutting the remaining 95 per cent out for good.

"In order to enable the currency reform to spread out its beneficiary effects into all branches of the economy and to bring about an economic balance, we decided upon and reintroduced the old rules of a free economy — the rules of *laissez faire*. We abolished practically all controls for allocations, prices, and wages and replaced them with a price automatism controlled preponderantly by money.

"Thereby I met with a lot of opposition and doubts, both inside and outside of Germany. Statisticians and experts considered the application of the rules of *laissez faire* under the prevailing circumstances as practically fantastic — since the situation was such that a person could buy in those times only one dinner plate every five years, one pair of shoes every ten years and one suit every 90 years: while only every fifth baby had a chance to get diapers and only every third German could hope to be buried in a coffin."

The bold Erhard policy, fully subscribed to by Chancellor Adenauer, can only be likened to Adam Smith's calling for a free capitalistic order in the wilderness of mercantilism. But Erhard, unlike Smith, could live to see his vision come true. Beginning with demolished docks and shipyards and ruined plants and factories, German private enterprise soon made itself the world's largest shipbuilder and the second largest automobile producer. West Germany's gold reserves, starting practically from nil, are now more than twice those of Britain. While the French franc has just been devalued and the British pound is very wobbly, the Deutsche Mark is hard, a Rock of Gibraltar — so hard that authorities of softer currencies have pleaded for (and so far have gotten only a firm Erhard no) an unprecedented upward revaluation of the DM.

The West German prosperity has even touched off an export of capital. German money is being invested in iron ore mines in Canada, in automobile plants in Brazil, in a new steel mill in India, in a lignite area in Greece, and in a dyestuff works in Pakistan. German technicians and German capital are building dams in Asia and roads in Africa. While the French Goverment discourages its people from consuming foreign commodities, the German Government is under no such compunction, for its exports, which have triumphed over world competition, are far greater than its imports.

The crowning achievement of the Erhard "miracle" is to be seen in the vain campaign Manifesto issued by the Social Democrats under the title, *Well-Being for Everyone*. The pamphlet shows that the Socialists have beat a retreat from their Marxist orientation and strangely echo the Erhard line. Declare the German Socialists:

"Social Democracy demands free economic development, free competition and private property working for the common good."

*The whole business of the "goat pasture" treatment of Germany was well detailed in Freda Utley's *The High Cost of Vengeance*. It was foreshadowed in the Yalta communiqué: "It is our inflexible purpose to destroy German militarism and naziism and to insure that Germany will never again be able to disturb the peace of the world. We are determined to disarm and disband all German armed forces; break up for all time the German general staff that has repeatedly contrived the resurgence of German militarism; remove or destroy all German military equipment; *eliminate or control all German industry that could be used for military production*," etc., etc. (Italics added).

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The Manifesto goes further. It insists that cartels and monopolies be prohibited from interfering with competitive processes to the detriment of small businesses. It is understandably silent, however, about the denationalization of state-owned industries, and for such industries and for coal and atomic energy, it calls for "democratic control in the interests of consumers and a healthy price policy." The Socialists are not exactly embracing Adam Smith in their Manifesto, but it's still quite a switch for the Socialist Party in the land of Marx's birth. It is, in fact, a feather in the Erhard hat.

IT IS A HAT already well feathered. Ludwig Erhard, born on February 4, 1897, has been Germany's Economics Minister since 1948. He got his bachelor's degree in business administration at the Commercial College in Nuremberg and his doctorate in political science at Frankfurt University in 1924. He has taught at Munich and Bonn Universities. Between 1930 and 1942, he was director of the Market Research Institute in Nuremberg. One of Dr. Erhard's accomplishments during this period was his bringing together businessmen and social scientists with a view toward uniting theoretical and practical economics. The Nazis forced him out of the Institute in 1942.

Minister Erhard attributes much of his free enterprise philosophy to two mentors, Franz Oppenheimer and Wilhelm Roepke. From Oppenheimer, Erhard learned about the danger of state omnipotence and the danger of an unleashed state to individual liberty — something he was to learn first hand from the Nazis. (On this point, see Franz Oppenheimer's *The State.*) With Roepke — now with the Institute of International Studies in Geneva — Dr. Erhard came under the influence of a world-renowned crusader against cartels, government intervention in economic life and nationalization of industry.

It is quite true, of course, that Western Germany, like the United States, has not escaped the blight of the welfare state, onerous taxation and considerable intervention. Compared to, say, Britain and France, however, the West German economy is a Manchesterite's paradise. Moreover, Minister Erhard is constantly working toward a freer and freer economy; although, let it be understood, he must deal occasionally with unsympathetic economic and political forces, both within Germany and abroad, and compromises thus become necessary.

Take, for example, the matter of the inconvertibility of European currencies — the Deutsche Mark included. Dr. Erhard has gone on record again and again that the free convertibility of one currency with another is indispensable to international trade and cooperation. His opposite numbers in other governments, set on autarkic methods, inflation and intervention, say, in effect, "Yes, of course, Herr Minister, but this it not yet the time for convertibility — we must wait for more normal conditions." More than 12 years have passed since the end of World War II, but still conditions are not "normal."

Consider, also, the West German problem of inflation, which the Socialists tried to exploit in the election as attributable to the failure of the Minister of Economics. The fact is that the inflation of Germany is not at all internally created but is almost entirely "imported" from abroad. Other countries are so busy inflating and devaluating their currencies that German exports are becoming cheaper in effect on world markets. This means that West Germany has an especially favorable balance of trade or a continuous influx of gold and foreign currencies. Then, too, there is a capital flight ("hot money") into Germany, where holders of capital find a saner and safer depository and investment outlet. The influx tends to be converted into German currency. And up go German prices. And there's very little for Dr. Erhard to do about it. On this score his hands are relatively tied. At any rate, the West German electorate was obviously not fooled by the Socialist argument.

What of the future? Just what does the Adenauer-Erhard victory mean for Germany and the rest of the world? Politically the West is assured of four more years of solidarity with a powerful and friendly nation. No "neutralism" or other kowtowing to the Kremlin can be expected. Instead a vigorous push for re-

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unification with the truncated East Germany is very likely. A continuation of asylum in West Germany for the daily thousands of refugees from East Germany is certain.

Economically the *soziale Marktwirtschaft* policies of Ludwig Erhard will continue to serve as a beacon of economic sanity to the West. The political wisdom of free enterprise has been abundantly demonstrated and may serve to remind politicians the world over that capitalism is the correct course to steer by ("modern Republicans," please note). Says Erhard in his new book, *Prosperity for All* (which may soon be translated into English):

> **"The most promising means to achieve and secure any prosperity is competition. It alone will be responsible for the universal benefits of economic progress because it constantly eliminates the disadvantages of stagnation and disincentives to production. 'Prosperity for all' and 'prosperity by competition' are inseparable; the first postulate indicates the aim, the second the means."**

Furthermore, the stern voice of Ludwig Erhard can be counted on to continue to prod the fiscal and monetary authorities of the West to put their financial houses in order. Says Minister Erhard: "The West can retain its present prosperity only if it achieves internal economic and financial stability once more." In short, stop inflating. Not only by exhortation but by deed will West Germany show the way. In response to an Erhard appeal, West Germany has just cut its tariffs on industrial goods by 25 per cent, thereby substantially opening West German markets to foreign producers. The West German contribution to the World Bank has been paid up in advance.

Then, too, we may expect Dr. Erhard to continue his fight against heavy progressive taxation. An obvious hint to this effect is to be found in his book: "It seems to me much more useful to bring about prosperity through economic expansion than to expect prosperity from a barren quarrel about a so-called redistribution of wealth. Let us make the cake larger to insure a 'prosperity for all.' "

MANY BELIEVE THAT because German production has been so high (wages and the gross national product doubled between 1950 and 1956, although prices advanced by only 14 per cent) no more gains in production are in the cards. Such, barring further "imported" inflation, is definitely not the case. The tremendous energy and dynamism of the West German economy still has much greater capacity and creativity. Political stability is won for four more years and probably much longer.

For the answer to those who worry about the longevity of the octogenarian Chancellor is to point to the men in his cabinet, many of whom are ready, willing and able to carry forward the Adenauer banner and philosophy. Leading contender, according to many knowing Germans, is the rotund Minister of Economics. And the Erhard philosophy has some special embellishments of great interest to libertarians the world over. A final sample:

"Property is the foundation of our newly emerging citizens' society, because it promotes personal independence. Property makes men free from spiritual domination. Who can lead his own life on the basis of his own property is strong. He no longer depends for his existence on the arbitrary whim of a bureaucrat in some sort of collective organization."

As one's airplane takes off from the Cologne airport, there is a strong feeling that the Erhard Story is far from finished.

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